

# Shriyans Prasad Jain (Dead) by LRs. v. Income Tax Officer and Others

Civil Appeal No. 2702 (NT) of 1979

[1993] Supp. 2 SCR 279 | 1993-09-14

**Whether the Settlement Commission's factual apportionment could be overturned on the asserted finality of an employment letter, the claimed irrelevance of an inquiry report, or the alleged absence of evidence.**

245C and Chapter XIX-A, historical settlement procedure | 147(a), 148 and 151(1), prior reopening history

Two-judge bench | B.P. Jeevan Reddy, J. | S.P. Bharucha, J.

Assessment years: 1950-51

## Historical settlement review; important questions expressly reserved

The settlement apportionment stood on the record and limited review applied. The Court did not decide a hypothetical prior-finding bar or general burden-of-proof question, impose a penalty, or record a criminal conviction. The underlying salary rule belongs to the 1922 Act; new settlement applications were subsequently barred. Source date/amount slips and unverified comprehensive later treatment must remain visible.

## 01 FACTS OF THE CASE

The assessee received Rs 7 lakh on termination of his services with Dalmia Cement and Paper Marketing Company. For AY 1950-51 he claimed the whole amount as non-taxable compensation for loss of employment under the then 1922 Act. The original appellate proceedings ultimately accepted that claim. He relied on an alleged 11 October 1943 appointment letter stipulating a 25-year term and Rs 40,000 per unexpired year for premature termination (physical pages 3–4 and 10–11).

The later Justice Vivian Bose inquiry into the group's affairs questioned the letter's genuineness. After a preliminary notice in 1965, section 148 proceedings were initiated in March 1966; the High Court upheld reopening and the Supreme Court rejected the challenge in 1975. Reassessment was completed on 30 July 1977. The assessee then invoked section 245C settlement. On 16 March 1979 the Commission treated Rs 2 lakh as loss-of-employment compensation and Rs 5 lakh as taxable under the 1922 provision, directing payment in four equal quarterly instalments with specified interest. It did not grant immunity from penalty or prosecution (physical pages 5–8).

This appeal challenged that settlement order. The Supreme Court was not hearing a fresh appeal against the earlier reopening judgment or trying a criminal forgery charge (physical pages 3 and 8).

Source: See the proposition-specific paragraph and PDF-page references below.

## 02 DISCUSSION BY THE HON'BLE COURT

The Court rejected the factual premise that the letter's genuineness had already been decided in the original assessment proceedings. The ITO had mentioned production without deciding genuineness; the AAC merely noted an agreement; and the Tribunal had refused to entertain the Department's late authenticity challenge. Because no such finding existed, the Court expressly left open whether an actual prior finding would bar reconsideration in reassessment or settlement (physical page 12).

The inquiry report was not binding on the assessee, but its findings after extensive inquiry were relevant material. The assessee had an opportunity to meet them. The Settlement Commission also gave independent reasons concerning the unusual employment terms, delayed letters, nonproduction and the assessee's management position. The order therefore was not founded on no evidence or pure guesswork. Allegations and findings reproduced from the inquiry remain attributed to that inquiry, not restated as a criminal conviction (physical pages 11–13).

The Court declined to reweigh the Commission's fact findings in this appeal and applied the limited statutory-legality review described in *Jyotendrasinhji and Shreeram Durga Prasad*. It also expressly refrained from deciding the general burden-of-proof objection: even assuming one challenged reason were legally unsustainable, the other reasons adequately supported the result. There was no serious separate challenge to apportionment, which the Court found justified once the asserted letter was disbelieved (physical page 13).

Source: See the proposition-specific paragraph and PDF-page references below.

## 03 JUDICIAL DECISION

The appeal was dismissed. The Commission's Rs 2 lakh/Rs 5 lakh apportionment and resulting settlement direction stood. The Court refused the requested direction to drop the long-pending penalty proceedings merely because the original assessee had died and the matter was old; it did not impose or quantify a penalty itself. Respondents' costs were fixed at Rs 7,500 consolidated (physical pages 13–14).

Source: See the proposition-specific paragraph and PDF-page references below.

## 04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee appeal dismissed; Rs 7,500 consolidated costs; request to direct dropping of penalty proceedings refused

Historical settlement order sustained on the limited review applied, including the factual apportionment

No adjudication of the hypothetical effect of a prior genuine-letter finding, no general burden-of-proof ruling, no criminal conviction or fresh penalty computation, and no universal compensation exemption.

Source: See the proposition-specific paragraph and PDF-page references below.

**05 AKHB REVIEW POINT**

Separate the original substantive charge from the procedural route under review. This source concerns AY 1950-51 under the 1922 salary provision, but the appeal directly addresses the later 1961 Act settlement proceeding and the treatment of its findings. It therefore supplies a bounded settlement-review authority, not a current employment-termination tax rule.

Before invoking finality, identify what the earlier forum actually decided. Refusal to entertain a late challenge and a passing reference to an agreement are not equivalent to an adjudication of genuineness. When an external inquiry report is used, keep its non-binding character, evidential relevance and the taxpayer's opportunity to answer it distinct. This judgment also preserves, rather than resolves, the hypothetical prior-finding bar and general onus question.

The historical settlement route cannot be offered as a new application option. The checked official Finance Act 2021 provision records the Commission's discontinuance from 1 February 2021, and the checked section 245C(5) text bars new applications from that date. Transitional proceedings and later statutory frameworks require separate examination. Comprehensive subsequent judicial treatment and 2025 Act mapping remain unverified.

Source: See the proposition-specific paragraph and PDF-page references below.

**PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES**

1.

**Topic:** Identity, underlying year and source chronology

**Source url:** [Open cited source](#)

**Pdf pages:** 1; 3; 4

**Paragraphs:** Unnumbered judicial text; earlier material explicitly attributed

**Source role:** reported metadata and judicial text

2.

**Topic:** Inquiry report and prior reopening proceedings

**Source url:** [Open cited source](#)

**Pdf pages:** 5; 6; 7

**Paragraphs:** Unnumbered judicial text; earlier material explicitly attributed

**Source role:** judicial text with attributed quotations

3.

**Topic:** Settlement order, competing arguments and underlying provision

**Source url:** [Open cited source](#)

**Pdf pages:** 7; 8; 9; 10; 11

**Paragraphs:** Unnumbered judicial text; earlier material explicitly attributed

**Source role:** judicial text with statutory and document quotations

4.

**Topic:** No prior authenticity finding; relevance and opportunity to answer

**Source url:** [Open cited source](#)

**Pdf pages:** 12; 13

**Paragraphs:** Unnumbered judicial text; earlier material explicitly attributed

**Source role:** judicial text

5.

**Topic:** Review limits, reserved onus, apportionment and final costs

**Source url:** [Open cited source](#)

**Pdf pages:** 13; 14

**Paragraphs:** Unnumbered judicial text; earlier material explicitly attributed

**Source role:** judicial text

6.

**Topic:** Finance Act 2021 section 64: historical settlement discontinuance

**Source url:** [Open cited source](#)

**Paragraphs:** Finance Act 2021 section 64

**Source role:** bounded statutory history

7.

**Topic:** Department section 245C text, published version labelled 2024

**Source url:** [Open cited source](#)

**Paragraphs:** Section 245C(5), footnote 36

**Source role:** bounded statutory history

## JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

## ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 settlement procedure; underlying charge under Indian Income-tax Act, 1922

## OTHER PROVISIONS AND THEIR DISTINCT SCOPE

Indian Income-tax Act, 1922, section 7 and Explanation 2: underlying salary/compensation charge; Constitution Article 136: scope of challenge

## SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 14 PDF pages; SHA-256

f1975cce4f9e7af40cdfad9d1d9b44ec5262d95888c1af23080d7a77c9661d1. Original bytes preserved.

Complete unnumbered judicial text physical pages 3–14 / SCR 281–292. Inquiry-report, prior High Court and alleged employment-letter quotations separately attributed; no adjoining judgment.

[Open cited source rendition](#)

The body on physical page 4 prints termination from 30 November 1959 in a February 1950 letter, while the headnote and later judicial discussion on page 12 use 30 November 1949. No silent correction is made to the original source.; The headnote prints monthly salary Rs 4,0000; the body and quoted letter clearly give Rs 4,000. Rs 40,000 is the alleged annual compensation formula, a different figure.; Counsel's recorded ground on page 8 calls the letter 11 February 1943, while the repeated narrative and quoted document identify 11 October 1943. The note uses the repeatedly identified document and flags the discrepancy.; The Supreme Court says eight reasons labelled a-j without reproducing a complete list; no invented enumeration is supplied.; The inquiry's forgery and tax-evasion findings are attributed evidence. The appeal did not convict anyone of a criminal offence.; The earlier section 147/148/151 history and its long limitation period are not fresh holdings on present reopening law.; The Rs 2 lakh exempt and Rs 5 lakh taxable split is an apportionment of the Rs 7 lakh receipt, not a quantified tax demand. The interest rate and tax instalment amounts are not supplied here.; The general burden issue and effect of a hypothetical prior authenticity finding are expressly left open.

### **STATUTORY SCOPE**

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

### **LATER TREATMENT**

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any actually checked later judgment or statute is expressly identified in this note.

### **IDENTIFIED SOURCE LINKS**

[reported judgment - PDF pages: 14](#)

SHA-256: f1975cce4f9e7af40cdfad9d1d9b44ec5262d95888c1af23080d7a77c9661d1

[official department statutory html](#)

SHA-256: a5b129f53579039494df30669d1821b98f8225def247566eeae5b347dcd13999

[official department statutory html](#)

SHA-256: 80ae4a15974d16a9ad8ddf6808d5c60f3031b924fcf1e02294111c5768dd7acd

### **AI DISCLOSURE**

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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